

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL TWELVE)

Docket No. RM2015-5

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL TWELVE)
(November 7, 2014)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, labeled Proposal Twelve, is discussed in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**Proposal Twelve: To Establish a Cost Methodology for the Postal Service
Customer Care Centers**

Objective:

This proposal seeks to establish a costing methodology for the Postal Service Customer Care Centers. The new methodology determines the level of attribution and assigns the relevant costs to products. The four new Customer Care Centers were staffed by Postal Service clerks in FY 2014. Thus, these costs are now included in Cost Segment 3. This proposal does not seek to change the established costing methods for the contractor costs associated with Customer Care Centers that are included in Cost Segment 16.

Background:

Previously, the call center activities duties of researching and responding to customer questions and concerns were outsourced to a contractor. Recently, the Call Center positions were insourced and converted to clerk craft positions. Contractor provided call center services were included within Cost Segment 16. For FY 2014, however, the bulk of expenses will fall within Cost Segment 3, as clerks performed the bulk of the call center work in FY2014. Cost Segment 3.3, Administrative Support and Miscellaneous clerk costs is the logical choice for these costs, as these activities are similar in nature to those activities of Claims and Inquiries clerks. A new cost component, Customer Care Centers, number 424, will be created within Cost Segment 3.3. For FY 2014, the clerk labor costs for the centers are approximately \$85.1 million (based on preliminary Trial Balance data).

Generally, Customer Care Centers can be characterized as handling two types of inquiries. One type involves specific inquiries relating to mail products or special services; hence, costs associated with those inquiries should be fully attributed to those products. Other inquiries that are not related to products, such as those about a correct ZIP Code, should be treated as Institutional costs. Apart from clerk time to handle inquiries, there is time for support activities such as training, breaks, and personal needs. Accordingly, the portion of Customer Care Center clerk costs that involve mail products and special services, and its proportionate share of support clerk costs, are classified as attributable to those mail products and special services. The remaining clerk costs are classified as institutional.

Proposal:

To achieve the correct assignment of institutional and attributable costs, this proposal requires several steps. The public spreadsheet (Prop.12.Call.Cntr.Public.xls) attached to this document electronically shows the specific calculations. Below is an explanation of the steps.

1. Determine the percent of the day the clerks spend on tasks that may be considered attributable. These tasks include time spent on the phone, time spent answering emails, and research time. This step includes grouping activities into categories such as inbound call time, call support, non-call activities, and employee support.
2. Determine by call type the call times that are attributable. For example, calls for stamps would be 100 percent attributed to stamps, calls for hours and locations would be 100 percent institutional, and calls considered “General

Inquiry” may be a mix of both attributable and institutional. Currently, there are 21 different call types by which data from the Customer Care Centers are grouped.

3. Determine the appropriate level of attribution for non-call activities (i.e. answering emails and research).
4. For each attributable call type and non-call activity, determine a distribution method or key. This is done by obtaining data pertinent to each call type/activity to link these costs to the proportion of products which utilize each activity to assign relevant costs to products.
5. Proportionally allocate call support activities (i.e. call dialing, call ringing, etc.).
6. Apply the resulting proportions to the Customer Care Center attributable costs.
7. Allocate employee support activity time (i.e. breaks, restroom, training, coaching, etc.) using the same attribution and distribution as the composite of the rest of call center labor costs. This aligns with the treatment of such activities of other components within Cost Segment 3.
8. Allocate the appropriate support times to those International activities which do not concern one specific product to be moved to International Product Specific.

The attached public spreadsheet shows the calculations, raw data, and cost impacts on products if the methods proposed were adopted by the Commission. In this public version, information pertaining to competitive products has been aggregated into

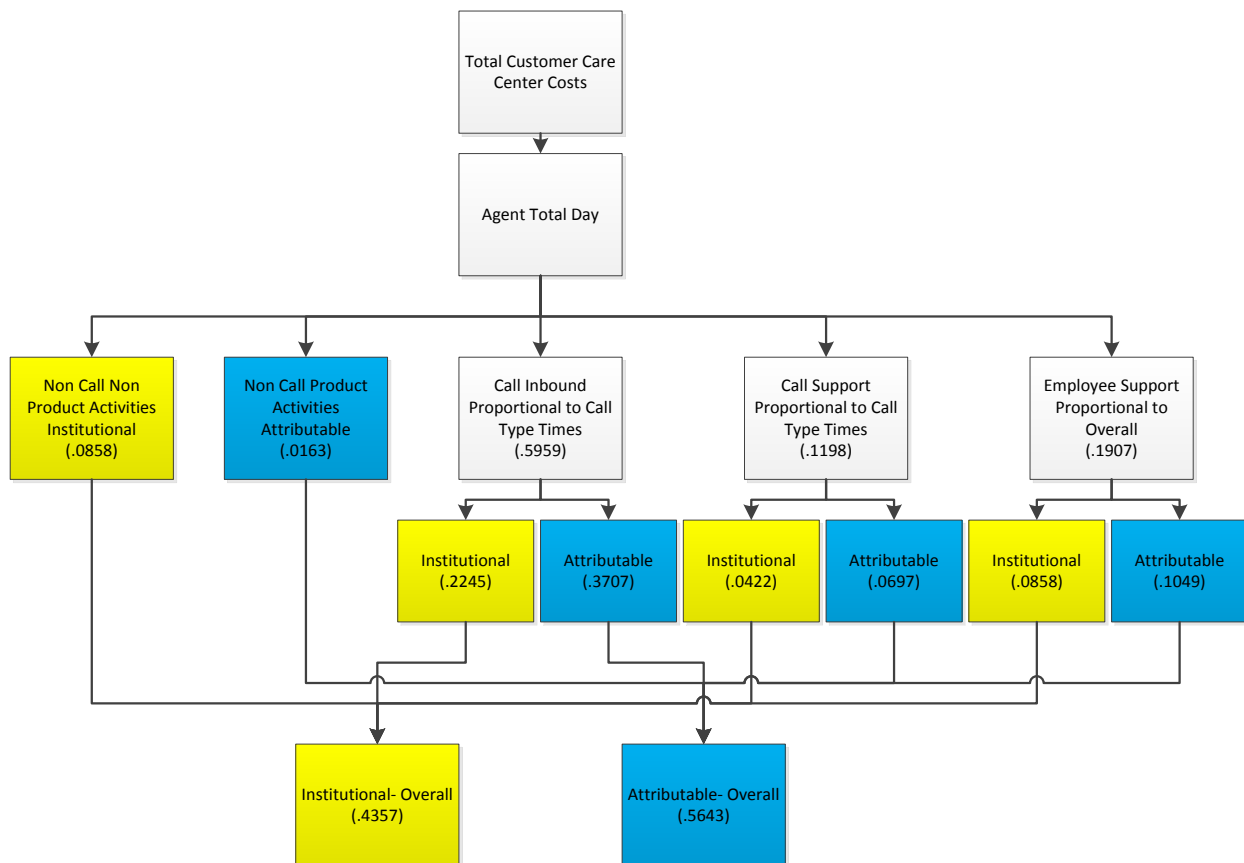
a Competitive Products row. A nonpublic version in which data are broken out for individual competitive products is provided under seal as USPS-RM2015-5/NP1. Additionally, in the public version, call types which pertain to competitive products or NSAs were collapsed into one tab, Other Call Types, but are displayed in full in the nonpublic version.

There are 14 tabs in the spreadsheet. The Final tab provides the final distribution key proportion by product and the subsequent unit cost to each product. The Summary tab provides the proportions of agent activities and call times by different call types, and also provides the associated level of attribution. The Call Time Product Distribution, Non Call Time Distribution, Call Support Time tabs provide the distributions of each call type which falls within the appropriate categorization. The Stamps, T&C, Attempted, Parcels, Missent, Distribution of Day, and FY13 Totals tabs provide the raw data used to create the distribution key. The General Inquiry tab provides the calculations used to determine the distribution of General Inquiry to the products. Finally, the Other Call Types tab provides the weighted proportions of products of Other Call Types.

Rationale:

This proposal determines attribution by classifying twenty-one (21) call types as either attributable or institutional. The call types are divided into those triggered by mail product or services (attributable), and those that are more general in nature (institutional). Additionally, call support time has been divided into attributable and institutional based on the proportions seen among call types. The Customer Care Center agents also perform a variety of non-call activities, some of which, like the call

types, target mail products or services. In FY2014, under the proposed method, approximately 56 percent of the accrued Customer Care Center costs would be treated as attributable. Assigning the relevant costs to products is done through reference to a variety of reliable data sources such as RPW, Carrier Cost Systems, and Enterprise Data Warehouse. RPW data were used for the distribution of Stamp and GoPost calls, EDW data were used for Attempted and Missent calls, Carrier Cost Systems data were used for Domestic Track and Confirm calls.. All the systems provide data which can be used to find the proportion of products used. An illustration of the overall model is shown below.



Impact:

The following table shows the cost impacts of this proposal using FY14 Customer Care Center costs and call volumes with FY13 distribution key volumes from RPW, EDW, and the Carrier Cost System. Last year (FY 2013), there were no Call Center costs incurred in Cost Segment 3. As such, in the below table the impact shown is how the approximately \$85 million incurred in FY 2014 would be attributed and distributed to products under the proposed methodology. An estimate showing the additional supervision, administrative clerk, facility-related costs, service wide benefits and miscellaneous costs using the FY2013 piggyback has been provided. The piggyback factor for Other Admin Clerks and Data Collection (1.378) will be used for Customer Care Centers, since it is estimated that these functions will have the same piggyback ratios in FY 2014. The impact is shown in terms of unit attributable costs for each market dominant product. The impact on the specific competitive products is filed under seal in Docket No RM2015-15/NP1.

<i>Component Name Component Number Cost Segment</i>	
	Impact/ Unit Cost
DOMESTIC MARKET DOMINANT PRODUCTS	
First-Class Mail	
Single Piece Letters	\$ 0.0003
Single Piece Cards	\$ 0.0002
Total Single Piece Letters and Cards	\$ -
Presort Letters	\$ 0.0000
Presort Cards	\$ 0.0000
Total Presort Letters and Cards	\$ -
Flats	\$ 0.0006
Parcels	\$ 0.0117
Total First-Class	
Standard Mail	
High Density and Saturation Letters	\$ 0.0000
High Density and Saturation Flats and Parcels	\$ 0.0000
Every Door Direct Mail Retail	\$ -
Carrier Route	\$ 0.0000

Proposal Twelve

Letters	\$	0.0000
Flats	\$	0.0000
Parcels	\$	0.0053
Total Standard Mail		
Periodicals		
In County	\$	0.0000
Outside County	\$	0.0000
Total Periodicals		
Package Services		
Alaska Bypass	\$	-
Parcel Post	\$	0.0000
Bound Printed Matter Flats	\$	0.0011
Bound Printed Matter Parcels	\$	0.0144
Media and Library Mail	\$	0.0142
Total Package Services		
U.S. Postal Service	\$	0.0002
Free Mail	\$	0.0000
Total Domestic Market Dominant Mail		
Special Services		
Ancillary Services		
Certified	\$	-
COD	\$	-
Insurance	\$	-
Registered Mail	\$	-
Stamped Envelopes	\$	-
Stamped Cards	\$	-
Other Ancillary Services	\$	-
Address Management Services	\$	-
Caller Service	\$	-
Money Orders	\$	-
Post Office Box Service	\$	-
Other Special Services	\$	-
Total Domestic Market Dominant Services		
Total Domestic Market Dominant Attributable Costs		
DOMESTIC COMPETITIVE PRODUCTS		
Total Domestic Competitive Attributable Costs	\$	0.0134
INTERNATIONAL MAIL AND SERVICES	\$	0.0001